

Metadata of the article that will be visualized in OnlineFirst

1	Article Title	SMEs and entrepreneurship in the era of globalization: advances and theoretical approaches
2	Article Sub- Title	
3	Article Copyright - Year	Springer Science+Business Media, LLC, part of Springer Nature 2019 (This will be the copyright line in the final PDF)
4	Journal Name	Small Business Economics
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35		Received	
36	Schedule	Revised	
37		Accepted	15 April 2019
<hr/>			
38	Abstract	Scholars have long studied small- and medium-sized enterprises (SMEs) and recognize the need for SMEs to postulate strategies to compete and succeed in the global market. In the current ultra-competitive business environment, SMEs face several internal and external challenges. In this introduction to the special issue (SI), we review the theoretical models and frameworks in this stream of research and outline some research questions that could be potentially used in future research in this era of globalization. The six papers selected for inclusion in this SI analyze this field from different angles, offering interesting overviews on the present situation of research in the field, as well as relevant new findings and perspectives for future research.	
<hr/>			
39	Keywords separated by ' - '	SME - Entrepreneurship - Globalization - Competitiveness - Internationalization - F23 - F60 - L26 - M13	
<hr/>			
40	Foot note information	Springer Nature remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.	

SMEs and entrepreneurship in the era of globalization: advances and theoretical approaches

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Accepted: 15 April 2019

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Abstract Scholars have long studied small- and medium-sized enterprises (SMEs) and recognize the need for SMEs to postulate strategies to compete and succeed in the global market. In the current ultra-competitive business environment, SMEs face several internal and external challenges. In this introduction to the special issue (SI), we review the theoretical models and frameworks in this stream of research and outline some research questions that could be potentially used in future research in this era of globalization. The six papers selected for inclusion in this SI analyze this field from different angles, offering interesting overviews on the present situation of research in the field, as well as relevant new findings and perspectives for future research.

Keywords SME · Entrepreneurship · Globalization · Competitiveness · Internationalization

JEL classification F23 · F60 · L26 · M13

1 Introduction

Coined by Levitt (1983) in his article *The Globalization of Markets*, the term “globalization” refers to the integration of national economies into a comprehensive world market, facilitated by eliminating trade barriers in goods, services, and capital (Acs and Preston 1997; Kansal 2009). Globalization has brought about several challenges, steering a transition toward a global market (Teagarden and Schotter 2013). The growth of global markets stimulates competition and increases the interdependence of national economies (Knight 2000), forcing governments to adopt market-oriented policies, both domestically and internationally (Acs and Preston 1997). Globalization involves economic and industry integration with the rest of the world, removing restrictions on imports and foreign investment (Paul 2015a). Globalization has created a knowledge-intensive economy (Teagarden and Schotter 2013), making firms’ search for the foreign market opportunities necessary in order to survive (Brenes 2000). However, the pace of globalization is different across markets (Buckley and

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Ghuri 2004; Jormanainen and Koveshnikov 2012). Technological and management skill advancements have furthered blurred political and economic boundaries (Acs and Preston 1997).

Globalization's rationale is the mutually beneficial gains that liberalized international trade promises (Wen, 2001). The establishment of the World Trade Organization (WTO) encouraged economies to open up more and stay open to international trade and investment (Scherpenberg 2003; Anderson 2001; Paul 2015a). Although the widespread presumption is that globalization is strengthening, its impact is unclear (Fariselli et al. 1999). Some researchers argue that globalization and new technology have resulted in cultural and consumer preference convergence (Czinkota and Ronkainen 1997; Levitt 1983), leading to standardized consumer products. Standardization could be possible due to telecommunications and data processing advancements that allow for research, marketing, and production coordination worldwide (Acs and Preston 1997).

Regardless of whether globalization is truly beneficial, there is a popular view that large and small firms alike will have access to the global market, facilitated by e-commerce and associated e-payment systems (Fariselli et al. 1999), as technology has greatly reduced the cost of information and the capabilities of participating in the global economy (Dunning, 1993; cited in Acs and Preston 1997). Nevertheless, the main drivers of globalization are multinational corporations and the governments of advanced countries, and globalization may benefit some while hurt others (Paul 2015a, 2015b). Globalization, together with the liberalization of trade ushered in by the new WTO regime, has created a new business environment. As a result, customers have more choices of products and services and a paradigm shift has taken place on what counts as success. Comprehensive foreign competition with respect to almost every product all over the world now exists (Govil and Rashmi 2013). This heightened competition means that no market is forever safe from competition and no company can afford to stake its future on the assumption that it owns its home market (Ghanatabadi 2005).

This intensified competition will lead to the survival of the fittest (Govil and Rashmi 2013). According to Helleiner (2000), standardized rule systems such as the WTO may aim to protect the weak from the strong, but be rendered useless in practice if the rules are constructed and the terms are dictated by the strong to protect their own interests. Furthermore, large private

corporations may purchase influence in international negotiations as the international activities of business lobbies are not subject to registration requirements or regulations (Helleiner 2000).

In this era of globalization, small- and medium-sized enterprises (SMEs) are crucial to any country's development (Peters and Waterman, 1982; Amini, 2004; Radam et al., 2008). Changes in the global economy have brought about challenges and opportunities for SMEs (Dominguez and Mayrhofer 2017). It is widely recognized that small firms make a substantial contribution to an economy (McPherson and Holt, 2007). Despite their small-scale output and relatively high production costs, SMEs contribute significantly to the employment growth and the economy (Pavitt and Robson 1987). SMEs appear to have an edge over large firms due to their quick and flexible decision-making processes. Nevertheless, SMEs face competition from large local and foreign firms. Small firms' relative strengths are mostly behavioral, including entrepreneurial dynamism, flexibility, efficiency, and quick decision-making. By contrast, the strength of large firms is economies of scale, scope, marketing skills, and financial and technological resources. Large firms, equipped with more resources, respond better to trade barriers than SMEs, which gives them a competitive advantage in international markets (Beamish 1990; Wolf and Pett 2000).

2 Impact of globalization on SMEs: challenges and opportunities

As part of their growth strategy, many small firms go global and orient themselves more and more internationally in the era of globalization (Paul and Gupta 2014). SMEs need to adopt strategic decisions to try to succeed in international markets. However, in this adoption, the role of the individual entrepreneur is salient for most SMEs. Therefore, personal motivation and intention to internationalize is also a relevant field of study (Gómez-Gras et al. 2009; Sommer 2013; Sommer and Haug 2011). Acs and Terjessen's (Acs and Terjesen 2013) born-local theory states that most small firms need support in the form of intermediated internationalization as they typically lack previous global exposure. Understanding the entrepreneur's decision to "go global" involves the need to study the cognitive elements of the entrepreneurial decision-making process (Fayolle and Liñán 2014; Liñán and Fayolle 2015). At the same

148 time, the influence of contextual variables (be them
149 cultural, institutional, economic, or geographic) is also
150 relevant, as the individual decision is surely affected by
151 these elements (Liñán and Chen 2009; Liñán and
152 Fernandez-Serrano 2014).

153 Some argue that SMEs have the flexibility to adapt
154 easily to changes in the business environment because
155 of their more manageable size, and they can compete
156 perfectly with large firms through specialization and
157 networks provided by new technology (Ribeiro and
158 Roig 2009). According to Audretsch and Thurik
159 (2001), SMEs do not become obsolete as a result of
160 globalization, but rather they need to change their role as
161 the world has shifted toward knowledge-based econom-
162 ic activity. This has occurred for two reasons. First, large
163 enterprises in manufacturing industries have lost their
164 competitiveness in producing in high-cost locations/
165 countries. Second, small entrepreneurial enterprises take
166 on new importance and value in a knowledge-based
167 economy (Ribeiro and Roig 2009).

168 Julien et al. (1994) examined the impact of globaliza-
169 tion on SMEs in the Quebec region of Canada. They
170 showed that SMEs have developed different ways of
171 overcoming the challenges arising out of globalization.
172 For example, most of the firms studied used at least one
173 computer-controlled machine or advanced technology.
174 It was also found that more and more SMEs agree that
175 international competitiveness depends on factors such
176 as innovation, product differentiation (often by ad hoc
177 innovation), and on the use of new production
178 technologies and distribution channels. However, this

179 does not mean that all SMEs are able to face the
180 challenges of international competition.

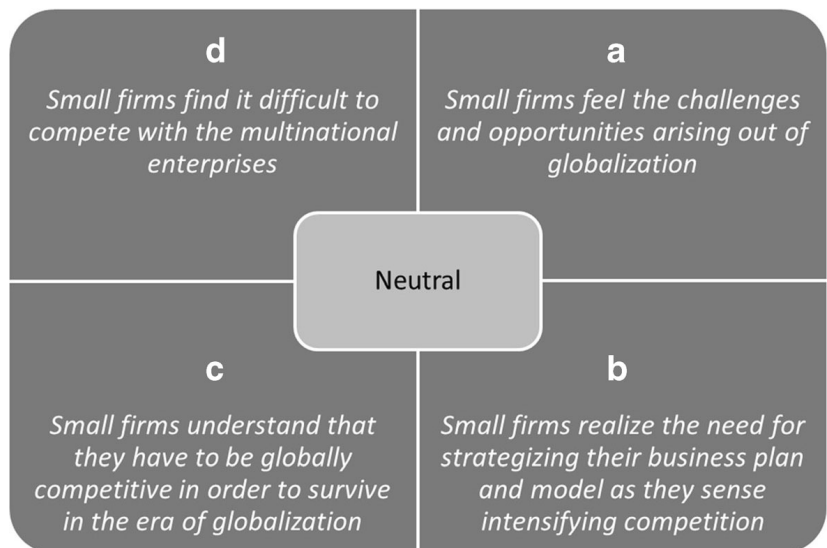
181 Levy and Powell (1998) suggest that SMEs do not
182 focus on managing their expertise scientifically and
183 effectively. They normally ignore long-term strategic
184 planning. Survival is the central characteristic of SMEs
185 and most of them have taken corrective steps to ensure
186 their continuing existence. For example, SMEs invest
187 heavily in information systems which help them to be
188 proactive in this era of globalization. Nevertheless, mul-
189 tinational enterprises have been able to prosper in this
190 period of global competition by combining four basic
191 building blocks: focusing on their core competencies,
192 using new information technologies, forming best stra-
193 tegic alliances, and eliciting more pro-activity from their
194 managers (Harrison, 1994; cited in Acs and Preston
195 1997). Prior research shows (Fariselli et al. 1999; Paul
196 and Sánchez-Morcilio 2018; Kahiya, 2019) that in prac-
197 tice: (a) smaller firms tend to face more challenges in
198 international business because of their difficulty in cap-
199 turing export markets and (b) markets throughout the
200 world tend to be dominated by the multi-national cor-
201 porations. We show the difficulties faced by SMEs in
202 this era of globalization with a four-dimensional matrix
203 in Fig. 1.

204 **2.1 SMEs' market entry modes**

205 The literature on SMEs' internationalization establishes
206 exporting as the most popular entry mode into foreign
207 markets. SMEs tend to move into foreign markets

Q10

Fig. 1 Four-dimensional matrices for SMEs based on difficulties, challenges, and opportunities, and the need for strategies for success



208 mainly as exporters because exporting is the easiest,
 209 low-cost, simplest, and quickest way to achieve interna-
 210 tionalization. According to D'Angelo et al. (2013), most
 211 SMEs are engaged in international activities within their
 212 own continent or regional markets as a result of free
 213 trade policies which have created “intra-regional” inte-
 214 grated markets. For example, various geographic areas
 215 have experienced a process of gradual regional integra-
 216 tion (the European Union, the North American Free
 217 Trade Agreement, and Southeast Asia countries with
 218 ASEAN). This has in turn developed a favorable envi-
 219 ronment and an ongoing process of SME intra-regional
 220 internationalization. This kind of integrated market
 221 without institutional (administrative) distance is called
 222 the predictable market in the conservative, predictable,
 223 and pacemaker model (Paul and Mas 2019). In contrast,
 224 many SMEs are still reluctant to export outside their
 225 regional market because they perceive that in order to
 226 face a more unfamiliar environment, they need to bridge
 227 a bigger resources gap (D'Angelo et al. 2013). Lu and
 228 Beamish (2006) argued that SMEs should analyze the
 229 advantages and disadvantages of various market entry
 230 strategies including exporting and choose the optimal
 231 combination according to their organizational goals.

232 **3 Review of theoretical models**

233 In this section, we provide theoretical insights and per-
 234 spective on the internalization of firms from the per-
 235 spective of SMEs. The popular theories and models
 236 widely used in SME internationalization research can
 237 be specified as the: (i) the Uppsala model; (ii) the
 238 network approach; (iii) the born global model; (iv) the
 239 resource-based view (RBV); (v) the innovation-
 240 oriented internationalization model; (vi) the conserva-
 241 tive, predictable, and pacemaker (CPP) model; and (vii)
 242 the 7-P framework for internationalization. These theo-
 243 ries and models can be summarized as follows.

244 **3.1 Uppsala model**

245 The Uppsala model postulates that SMEs go through a
 246 gradual internationalization process (e.g., Johanson and
 247 Vahlne 1977; Johanson and Wiedersheim-Paul 1975).
 248 Johansson and Vahlne (Johanson and Vahlne 1977)
 249 suggested that firms tend to begin their internationaliza-
 250 tion in markets that have a short psychic distance. This
 251 perception has evolved since the business environment

has changed, becoming a complex network of relation- 252
 ships, rather than a neoclassical market with many in- 253
 dependent suppliers and customers (Johanson and 254
 Vahlne 2009). 255

3.2 Network approach 256

Johanson and Mattsson (1988) argued that network 257
 relationships help firms to internationalize. Other re- 258
 searchers have also shown the importance of the net- 259
 work approach as a critical strategy that facilitates the 260
 SME’s internationalization (Loanne and Bell, 2006; 261Q12
 Debrulle and Maes 2015). Similarly, Mitgwe (2006) 262
 proposed the network approach, which states that firms’ 263
 networks facilitate quick internationalization. 264

3.3 Born global/international new ventures model 265

Certain firms internationalize soon after inception. Such 266
 firms are referred to as international new ventures 267
 (INVs) or born global. Oviatt and McDougall (1994) 268Q13
 defined INVs as businesses that, at the outset, derive 269
 significant competitive advantage from resources and 270
 sales in several countries. Coviello and Munro (1997) 271
 reported that INVs result from managements’ interna- 272
 tional awareness and the ability to use foreign resources 273
 to meet international market demands. Firms can be 274
 classified as born global firms if they internationalize 275
 and generate at least 25% of their revenue from foreign 276
 markets within the first 3 years of their inception 277
 (Knight et al. 2004). 278

3.4 Resource-based view 279

The RBV focuses on resources as central to understand- 280
 ing firm performance (e.g., Amit and Shoemaker 1993; 281
 Peteraf, 1993). In this domain, theoretical contributions 282Q14
 regarding dynamic capabilities distinguish between ca- 283
 pabilities and other types of resources available to the 284
 firm (e.g., Makadok 2001; Teece, Pisano, and Shuen, 285
 1997). In the exporting context, resources constitute the 286
 raw materials available to the firm’s export venture 287
 business units (e.g., Black and Boal 1994; Peteraf, 288
 1993; Morgan et al. 2004). 289

3.5 Innovation-oriented internationalization model 290

Ripolles et al. (2010) examined the internationalization 291
 of SMEs and have shown that innovation orientation 292

293 accelerates their speed of internationalization. Their em-
 294 pirical results based on Spanish SMEs show that there
 295 are two different models of internationalization of SMEs
 296 that help firms opt for high-control entry modes in
 297 foreign markets. The first model is gradual internation-
 298 alization and the second is innovation-oriented interna-
 Q299 tionalization. Similarly, Salomon (2006) explored how
 300 exporters derive knowledge-based advantages by exam-
 301 ining the relationship between export strategies and
 302 innovative products and contended that firms who ex-
 303 port to developed countries will experience increased
 304 innovative productivity.

305 3.6 Conservative, predictable and pacemaker model

306 Paul and Sanchez-Morcilio (Paul and Sánchez-Morcilio
 307 2018) developed the conservative, predictable, and
 308 pacemaker model to help SMEs to understand the legal
 309 and cultural distances between different countries and
 310 internationalize accordingly to achieve competitiveness.
 311 They call for classifying the markets and firms under
 312 three categories: conservative (those who just do busi-
 313 ness in a local market), predictable (for example, those
 314 who do business in a legally integrated regional market
 315 such as the European Union or North American Free
 316 Trade Agreement area), and pacemaker (those who do
 317 expand business globally at a fast pace). They also offer
 318 testable propositions for future research. They show that
 319 the higher the ratio of pacemaker and predictable firms
 320 to conservative firms in an industry, the greater the
 321 global competitiveness of that industry.

322 3.7 7-P framework for internationalization

323 Analyzing potential, path, process, pace, problems, pat-
 324 tern, and performance are critical for firms interested in
 325 achieving competitiveness through internationalization
 326 (Paul and Mas 2019). The abovementioned 7Ps serve as
 327 the fundamental constructs for SMEs to conduct feasi-
 328 bility studies before they decide on which markets to
 329 enter, how to enter, and the scale of entry. Put together,
 330 they are known as the 7-P framework for the interna-
 331 tionalization of a firm. Firm performance is defined as a
 332 function of another 6 Ps in this framework.

Performance

334 = f(potential, path, process, pace, pattern, problems)

4 A fresh start 335

The available review articles on different themes of 336
 entrepreneurship and SMEs in the era of globalization 337
 (Ruzzier et al., 2009; Keupp and Gassman, 2009; Jones 338 Q1/Q1
 et al. 2011; Terjesen et al. 2013; Fayolle and Liñán 339
 2014; Paul and Sánchez-Morcilio 2018) have attracted 340
 considerable attention as reflected, for instance, in the 341
 number of citations. This shows the interest of this 342
 subject area as well as the relevance of review articles. 343
 Taking into account the importance of these two aspects, 344
 the objective of this special issue is to develop a better 345
 understanding of the extant literature and provide direc- 346
 tions for future research in the area of the competitive- 347
 ness, strategies, and internationalization of SMEs. This 348
 special issue focuses on papers that aim to develop 349
 theories, models and frameworks, and reviews on dif- 350
 ferent topics, encouraging theory building in the broad 351
 area of the internationalization of SMEs and entrepre- 352
 neurship. Studies that can provide new insights based on 353
 the home/host country factors by a comparison of dif- 354
 ferences with current models or theories are included. In 355
 this special issue, we go beyond the replicated studies 356
 and make efforts to propose frameworks and models for 357
 small firms by explaining how their internationalization 358
 affects their success or failure. We are also interested in 359
 the factors that influence a small firm's 360
 internationalization. 361

Collectively, the six papers included in this special 362
 issue offer an excellent reflection of the topics related to 363
 SMEs and entrepreneurship in the era of globalization 364
 and address the research questions mentioned above. 365
 The first paper, by Marina Dabic, Jane Maley, Leo- 366
 Paul Dana, Ivan Novak, Massimiliano Pellegrini, and 367
 Andrea Caputo, presents a timely and necessary review 368
 of the literature on the internationalization of SMEs 369
 through a bibliometric methodology, thus providing a 370
 systematic and comprehensive picture of what we know 371
 in this area. Thus, this paper extends the current 372
 dominant theoretical perspectives. It proposes the 373
 existence of heterogeneous nature of SMEs and en- 374
 trepreneurship within countries, which helps explain 375
 outcomes at the firm (e.g., financial and export 376
 performance) and country (e.g., economic growth) 377
 levels, and antecedents at the country level (e.g., 378
 certain aspects of cultural differences). It offers an 379
 agenda for future research, bridging theories from 380
 the fields of management, international business, 381
 and entrepreneurship. 382

383 The second paper, by Stephanie Mansion and
 384 Andreas Bausch, performs a meta-analysis to synthesize
 385 empirical evidence from 167 studies on the role of
 386 human and relational capital endowments in the differ-
 387 ent dimensions of export behavior. Their analysis finds
 388 that positive influences of intangible assets are context-
 389 dependent. In particular, human resources appear to be
 390 especially pertinent for exporting SMEs in developing
 391 economies. Additionally, their consolidated research
 392 provides relevant hindsight on the interplay of innova-
 393 tion and SMEs' exports. Thus, while previous research
 394 provided mixed and often conflicting evidence on the
 395 innovation-export link, their findings reveal the export-
 396 enhancing effects of innovation, showing that innova-
 397 tion and exporting strategies are not only interrelated but
 398 actually complementary.

399 The third paper, by María Ripollés and Andreu Blesa,
 400 analyzes the role of network social capital as a relevant
 401 safeguard mechanism when ventures choose to interna-
 402 tionalize using non-equity cooperative entry modes.
 403 This form of entry reduces the need for capital invest-
 404 ment but also poses a risk to the venture's intellectual
 405 property and competitive advantage assets. Their results
 406 find that networks' social capital endows international
 407 new ventures with informational advantages and experi-
 408 ential knowledge. These resources are important to
 409 reduce the potential problems associated with the non-
 410 equity entry mode choice.

411 Massoud Karami, Ben Wooliscroft, and Lisa
 412 McNeill, in their paper, systematically review the SME
 413 internationalization literature to clarify the way effectua-
 414 tion theory helps international entrepreneurship schol-
 415 arship. This review finds that the application of effectua-
 416 tion theory in internationalization studies is fragmented
 417 and that there are considerable gaps in explaining the
 418 antecedents, processes, and outcomes of the effectual
 419 internationalization of SMEs. Their findings point to
 420 limited resources, networking, and unplanned actions
 421 as central topics connecting effectuation with the extant
 422 internationalization research.

423 The fifth paper, by Alfonso Exposito and Juan
 424 Sanchis-Llopis, analyzes the role of different types of
 425 innovation on the internationalization process of SMEs.
 426 In particular, their work is novel in that it analyzes both
 427 the export and import activities of SMEs. The paper is
 428 comprehensive not only in considering both outward
 429 and inward internationalization, but also in including
 430 small firms in the manufacturing, service, and construc-
 431 tion sectors. It also analyzes the existence of

complementarities between alternative types of innova- 432
 tion (i.e., technical and non-technical) and SME 433
 international-trade decisions (i.e., exporting and/or 434
 importing). 435

436 Finally, Oscar Malca, Jesús Peña-Vinces, and
 Francisco Acedo focus their analysis on the joint impact 437
 of both external (such as export promotion programs 438
 (EPPs)) and internal factors on the export performance 439
 of SMEs. The context for this analysis is the emerging 440
 economy of Peru. The firms in developing countries and 441
 emerging economies, such as Peru, seem to be more 442
 customer-oriented and reactive than those in more de- 443
 veloped countries, and there is a strong predominance of 444
 exports from low value-added industries. Their findings 445
 indicate that EPPs are related to the resources devoted to 446
 international activity, but the effect on international per- 447
 formance is limited. 448

5 Agenda for future research 449

450 Based on the insights and findings from the contribu-
 451 tions included in this special issue, it is worth noting that
 452 there are opportunities for exploring different aspects of
 453 the challenges and opportunities faced by SMEs in the
 454 era of globalization. There are opportunities for devel-
 455 oping frameworks, strategies, and models to contribute
 456 to theory development. Researchers could derive their
 457 research questions, hypotheses, and propositions based
 458 on one or more of the topics listed below.

- i. What drives the competitiveness of SMEs in the era 459
of globalization? 460
- ii. What factors determine entrepreneurial decision- 461
making in the process of internationalization? 462
- iii. What kind of strategies do firms need to formulate 463
while going global? How do SMEs from countries 464
at varying levels of economic development differ 465
in their strategies? 466
- iv. What are the opportunities for developing new 467
theories, models, and typologies other than the 468
well-researched models such as the born global 469
and Uppsala models? 470

471 Parallel to this need for increased international com-
 472 petitiveness, the field of SME internationalization has
 473 expanded and gathered momentum (Ribau et al. 2016;
 474 Paul and Shrivastava 2016; Paul et al. 2017). According
 475 to DiGregorio, Musteen, and Thomas (2008), the very 475 Q18

476 existence of international new ventures (INVs) stems
477 from opportunities to engage in the cross-border com-
478 bination of resources and/or markets. Decisions have to
479 be made regarding how its business activities in a for-
Q180 480 eign market should be conducted (Welch et al. 2008). In
481 this context, Musteen et al. (2014) examine the factors
482 influencing the internationalization of SMEs within the
483 context of foreign market knowledge and network ties.

484 However, the relevant issues of the internationaliza-
485 tion of SMEs have not been sufficiently researched in
486 the past due to several constraints and limitations. For
487 example, there is little theoretical literature analyzing a
488 firm's export potential, problems, pattern, and perfor-
489 mance. There is a considerable gap in theory and frame-
490 work development to explain and discuss the phenom-
491 enon of the internationalization of SMEs, and, in partic-
492 ular, those from developing countries. The available
493 models and theories to explain this phenomenon need
494 be expanded (Paul and Mas 2019). There are opportu-
495 nities to develop frameworks and measures to analyze
496 the path, process, potential, problems, pace, and pattern
497 of SME internationalization (Paul and Mas 2019). Un-
498 derstanding antecedents, decision characteristics, such
499 as foreign market entry modes and exporting challenges,
500 are critical for the survival and success of SMEs. There
501 are opportunities to establish a theoretical relationship
502 between pertinent managerial characteristics, and differ-
503 ent measures of export performance and internationaliza-
504 tion. Similarly, we need typologies and useful para-
505 digms that help the decision-makers to better understand
506 the challenges of internationalization—the liability of
507 foreignness, resource constraints, or cognitive biases,
508 among others. In a nutshell, researchers could develop
509 new models, use or extend the theories developed dur-
510 ing the last two decades such as the born-local theory, or
511 CPP model or 7-P framework in their studies, since the
512 old theories have become obsolete and replete due to
513 their repeated application in hundreds of studies.

514 6 Concluding remarks

515 On the basis of the literature review and the findings
516 from the papers accepted, it has been found that the
517 major barriers for small firms in the era of globalization
518 include: financial constraints, insufficient information,
519 the selection of reliable partners and distributors, cogni-
520 tive bias, lack of negotiating power, insufficient re-
521 sources, the liability of foreignness, little international

522 experience, the lack of protection from the government,
523 and demand insufficiency for the products of small
524 firms. These findings corroborate those of prior research
525 (Ghauri and Kumar 1989; Paul and Sánchez-Morcillo
2018; Kahiya 2018).

526 Q20
527 We are confident that the excellent research works
528 included in this special issue have contributed to the
529 advancement of knowledge in the field. At the same
530 time, they have opened new and most interesting novel
531 avenues for further research. We call for internationali-
532 zation and entrepreneurship scholars to work from their
533 respective fields, probably integrating perspectives, the-
534 ories, and models from each other, to continue advanc-
535 ing the field.
536

537 **Acknowledgments** The editorial process for this Special Issue
538 has been intense and exciting. It has involved the processing and
539 evaluation of 60 initial proposals. All of them were highly inter-
540 esting. Therefore, we are very grateful to all scholars and re-
541 searchers who submitted their proposals to this special issue.
542 Through a very competitive selection process, the final accepted
543 papers have gone through three rounds of reviews. This would not
544 have been possible without the excellent and altruistic work of
545 several highly qualified reviewers (in alphabetical order): Levent
546 Altınay (Oxford Brooks University), Indri Apriliyanti (University
547 of Agder), Jasmina Berbegal-Mirabent (Universitat Internacional
548 de Catalunya), Giorgio Fazio (Newcastle University), José
549 Fernández-Serrano (University of Seville), Tamara Galkina (Uni-
550 versity of Vaasa), Andreja Jaklic (University of Ljubljana), Rara
551 Jeon (Y & PEOPLE), Paul Jones (Coventry University), Olli
552 Kuivalainen (Lappeenranta-Lahti University of Technology),
553 Melih Madanoglu (Florida Atlantic University), Giovanna
554 Magnani (University of Pavia), Juan A. Martínez (University of
555 Seville), Ulrike Mayrhofer (Université Jean Moulin Lyon 3), Jane
556 Menzies (Deakin University), Øystein Moen (Norwegian Univer-
557 sity of Science and Technology), Nitin Pangarkar (National Uni-
558 versity of Singapore), José Carlos Pinho (University of Minho),
559 Vincenzo Pisano (University of Catania), Francisco Puig (Univer-
560 sity of Valencia), S. M. Riad Shams (Ural Federal University),
561 Stephen Roper (University of Warwick), Mitza Ruzzier, Sreevas
562 Sahasranamam (University of Strathclyde), Karim Said, Maeyta
563 Selli (Erasmus University), Susan Sissay (Birmingham City Uni-
564 versity), Tiia Vissak (University of Tartu), Zahid Yousaf (Hazara
565 University), Florian Zapkau (Vrije Universiteit Amsterdam), and
566 Antonella Zucchella (University of Pavia). We want to thank them
567 and acknowledge their work.
568

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